

State of State Parks 2012

The quest for a healthy park system



A report to the state Office of Financial Management

*... state appropriations are provided solely to operate and maintain state parks as the commission implements a new fee structure. The goal of this structure is to make the parks system self-supporting. **By August 1, 2012, state parks must submit a report to the office of financial management** detailing its progress toward this goal and outlining any additional statutory changes needed for successful implementation.*

- *THIRD ENGROSSED SUBSTITUTE HOUSE BILL 2127
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State of Washington 62nd Legislature 2012 2nd Special Session*

The Washington State Parks and Recreation Commission

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The State Parks Mission

The Washington State Parks and Recreation Commission acquires, operates, enhances and protects a diverse system of recreational, cultural, historical and natural sites. The Commission fosters outdoor recreation and education statewide to provide enjoyment and enrichment for all and a valued legacy to future generations.

The Commission's Centennial 2013 Vision

Washington's state parks will be premier destinations of uncommon quality, including state and regionally significant natural, historical and recreational resources that are outstanding for the experience, health, enjoyment and learning of all people.

State Parks Agency Core Values

- *A commitment to stewardship that transmits high quality park assets to future generations.*
- *A dedication to outdoor recreation and public enjoyment that welcomes all our citizens to their public parks.*
- *Support for one another as we translate our mission into reality.*
- *Excellence in all we do.*
- *Involving the public in our policy development and decision-making.*

Executive Summary

The State Operating Budget passed by the 2011 Legislature and re-affirmed in the 2012 Supplemental Operating Budget contains a proviso mandating that the Washington State Parks and Recreation Commission submit a report to the Office of Financial Management. State Parks worked hard in 2012 to keep parks open; this report is predicated on the main assumption that all parks must be kept open and safe for public use.

The proviso directs the Commission to detail in the report its progress toward making the parks system self-supporting and outlining any additional statutory changes needed for successful implementation. In summary, here are the findings of the report:

- The Washington State Parks and Recreation Commission embraces its ongoing statutory and fiduciary responsibility to preserve and nurture the state's natural and cultural legacy. On the 120,000 acres of land it manages, the Commission cares for 117 developed parks, 33 heritage sites and interpretive centers and more than 700 historic buildings; provides stewardship and interpretation for iconic geologic treasures such as prime Ice Age floods sites; cares for internationally known sites where our state's pre-history is preserved; and protects vulnerable habitats for species on the edge. Most importantly, State Parks provides places where people can learn about and enjoy the many natural, cultural and historic treasures in its care. The park system receives an average estimated 40 million visits a year, approximately 92 percent of which are day visits.
- Transitioning from \$94 million in General Fund support in 2007-09 to \$17 million this biennium has been difficult. Moving from an "opt-in" vehicle donation program to an "opt-out" program in 2009-11 and then establishing the Discover Pass program this biennium were legislative efforts designed to make up for losses in General Fund support and to propel the agency toward greater self-support. But these actions were only partially successful.
- State Parks is taking seriously the challenge to work toward greater self support. The agency has taken bold and painful measures to reduce staff and costs and has worked hard this year to keep parks open, part by shifting 66 of 189 filled full-time year-round ranger positions to five- and eight-month seasonal positions in order to provide services in the parks during the busy season. The overall agency staffing mix shifted from 595

permanent full-time positions in 2008, to 395 in 2012, and the agency has an additional 90 non-permanent and seasonal staff. The agency has redirected staff toward revenue-generating activities and has reached out to partners to help provide services at less cost to the state. There is much more to be done. The agency is creating a Transformation Strategy to help the agency remain proactive and work toward greater financial stability.

- More than \$17 million in General Fund allocations and \$4 million in Aquatic Lands Enhancement Account one-time funding are slated to go away in 2013. **Without any changes in agency programs or revenues, State Parks would be looking at approximately \$42 million less in real dollars from a peak allocation of \$135 million (not including federal, grant and dedicated funds) in 2007-09.** This gap is projected to be made up, in part, through increased revenues from the Discover Pass and other fees for services, as well as from donations, partnership efforts and other revenue sources and staffing reductions in staffing and other expenditures. Much uncertainty remains, because it is unknown whether earned revenues will meet projections. State Parks' budget is largely comprised of revenues not yet earned, as opposed to money in the bank.
- The month-to-month variability of Discover Pass sales underscores the reality that State Parks' finances are uncertain. For the next several years, revenue forecasts for agency earned income will unavoidably lack certainty. State Parks has no lengthy track record, and continuously evolving variables will affect outcomes.
- In order for State Parks to become more self-supporting, people have to choose state parks from a broad array of recreation choices. The 8 percent of visitors who are campers are largely unaffected by changes in State Parks funding. The agency must continue to provide quality parks, facilities and services so that people are willing to pay out of pocket for access; historically, taxes covered costs, so many believe access was "free."
- To explore the feasibility of State Parks becoming self supporting, it's important to understand the market around services the agency provides. On average, 92 percent of visits to state parks are day-use visits, and 8 percent are overnight visits. The fundamental service provided by State Parks is public access to natural, cultural and recreational resources of regional or statewide significance. Its principal public sector competitors are national, state and local parks systems.
- The National Park Service derives approximately 10 percent of its revenues from entry fees and other fees for service. There is no state park system in the country that is self-supporting from fees and dedicated use taxes. Every state park system depends in part on general tax support or alternative dedicated revenue sources, such as lottery funds or

endowment proceeds. During the economic and fiscal downturn, many states are struggling with less-than-sustainable levels of services. Local parks systems and services vary, but there is no in-state example of a system that provides services comparable to those provided by Washington State Parks, on a self-supporting fee model.

- Private-sector campgrounds and other private recreation providers generally do not provide stewardship services for natural and cultural resources. They compete with state parks in the camping but have a wholly different cost and service model.
- To explore whether State Parks can become self-supporting, it is essential to understand those aspects of the mission and program that currently are not revenue-generating. Visitors to the Seashore Conservation Area (Ocean Beaches), day visitors to more than 20 marine parks or those who come to any park by bike, boat, public transit or by foot, are exempt from fees. Disabled veterans, limited-income seniors, foster families and disabled persons are exempt or have reduced camping fees. Public school groups or any other visitor with an exempt motor vehicle license plate gets in free. Tribal members exercising treaty or executive order rights are exempt from fees. Even the millions of motorists driving through the international border at Blaine enjoy the sculptured flower gardens of Peace Arch State Park ...without being required to have a Discover Pass.
- The legislative direction to explore financial self-support does not include capital expenditures. Because of the inter-related nature of capital replacement costs and facility maintenance, State Parks must assume that full programmatic self-support is not an objective. This report addresses operational support only.
- **The Commission concludes that State Parks cannot meet its mission and be entirely financially self-supporting. The goal of 100 percent operational self-support is impractical.** A stable and durable self-supporting state park system is unprecedented and, in the Commission's view, unachievable. It would require changes to system scope, mission and park operations that the Commission believes the public would simply not accept and the agency could not accomplish. However, State Parks need not and should not go back to previous levels of tax financing. There is value in terms of accountability, transparency and efficient park management, in continuing to develop approaches that could help sustain State Parks as a partially self-supporting entity. **The Commission will ask for \$18 million in General Fund support for the 2013-15 biennium.** This is based on projected moderate increases in Discover Pass sales; without which, even more General Fund support would be needed to assure all parks are kept open.

- The Commission's 2013-15 budget request assumes a sustainable – *not optimum* – service level in all state parks for the biennium. The agency currently lacks the data as well as the tools, resources and technology to connect parks in remote areas to automate any collection of data, in order to produce a detailed analysis of need. In the past, consultants were hired for hundreds of thousands of dollars to provide an inventory of needs in a snapshot of time, rather than an updatable database. Without tightly defined cost and revenue allocation systems, it is difficult to develop information about costs to adequately fund park system needs. State Parks will request additional staff in the 2013-15 biennium to continue developing a maintenance management program to better prepare the agency for future budget requests. In the next two years, State Parks will derive a baseline level of funding needed in 2015-17 and beyond, to keep all parks open and maintained at a more sustainable level. This will be included in a report the Commission will submit to OFM by August 31, 2014.
- The report contains initial proposals for request legislation in the 2013 session to assist the agency in its Transformation Strategy, as it moves to a more self-supporting model. As work continues on the Transformation Strategy, there may be additions. Here are the initial proposals:
 - Link statutory fee exemptions with General Fund appropriations
 - Provide Commission authority to enter into longer-term real estate leases
 - Broaden Commission authority for donor recognition and advertising
 - Expand State Parks Foundation authority to raise funds for a wider range of purposes.
 - Require a report, on a biennial basis, from the Commission to the Legislature, identifying specific steps the agency is taking to increase revenues, reduce expenditures, engage volunteers and partners, and generally transform itself toward a more sustainable, and healthy, financing and programmatic future.
 - Direct the Joint Legislative Audit Review Committee (JLARC) to complete a study of the economic benefits of State Parks, since the most recent study available is several years old.

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The Report

Financial uncertainty keeps State Parks legacy at risk

For more than 99 years, Washington's state park system has linked people to their natural and cultural heritage, providing an essential spark to the quality of life in our state. With 117 developed state parks and properties on ocean shores, mountain tops, old-growth forests, rocky islands, shrub-steppe dry lands river gorges and habitat-rich streams, Washington has one of the largest and most naturally diverse park systems in the country.

The Washington State Parks and Recreation Commission embraces its ongoing *statutory and fiduciary responsibility* to preserve and nurture the state's natural and cultural legacy. On the 120,000 acres of land it manages, the Commission cares for 33 heritage sites and interpretive centers and more than 700 historic buildings; provides stewardship and interpretation for iconic geologic treasures such as prime Ice Age floods sites; cares for internationally known sites where our state's pre-history is preserved; protects vulnerable habitats for species on the edge; and last, and most importantly, State Parks provides places for people to learn and enjoy all the splendors under its stewardship. The park system receives an average estimated 40 million visits a year, of which approximately 92 percent are day visits.

Not unlike other park systems throughout the country, Washington State Parks, with all the wonders, treasures and the benefits it provides to citizens, continues to find itself on unstable financial ground. Washington State Parks has been struggling for decades to deal with the challenges of fluctuating budgets and no long-term stable funding mechanism.

The past three state budget cycles span a recession that has put the state park system on especially tenuous ground. Between 2007 and the present, the park system in Washington has been shifting rather rapidly from a funding model where the agency is allocated real money in the bank from citizen taxes, to a system dependent on user fees and donations, allocated in projected "spending authority" for money that must be earned before it is available to use in providing services.

The latest addition to the new fee structure, the Discover Pass, was signed into law in 2011. Revenues from the pass were intended to replace general fund tax dollars no longer available to cover the costs for continued operations of state-managed recreation lands. In the context of the recession, these lands would no longer be available to the public without such a fee. The

Discover Pass, set at \$30 annual (\$10 daily), provides visitors daytime access to state parks as well as access to trails, wildlife and natural areas, heritage sites and water access points managed by the Washington Department of Fish and Wildlife (WDFW) and Washington State Department of Natural Resources (DNR).

The Proviso and a question: Can the state park system be self-supporting?

A 2012 budget proviso passed by the Legislature and signed into law by the Governor states that the goal of the new fee structure known as the Discover Pass is to make the park system self-supporting.

The Discover Pass was envisioned by lawmakers to generate the largest portion of the agency's operating budget. This user-pay access pass represents a bold departure from traditional State Parks funding. It offers a partial solution for agency financing but also creates challenges. This report will describe how State Parks has responded to a funding situation that has shifted dramatically during the past few years – including a drastic reduction and restructuring undertaken in 2012 – in order to keep parks open.

This report will describe State Parks' recent efforts to raise revenues and cut costs. It will analyze the market for parks and recreation services and will characterize the agency's current fiscal gap. Within that context, the report also will address the central question posed to the agency by the Legislature:

“Can Washington State Parks ever be financially self-supporting – and if so, what help will be needed from the Legislature to get there?”

The short answer to the self-support question is, *“No, not entirely.”*

However, the Commission believes that State Parks need not – and should not – go back to previous levels of tax financing.

Commission: ‘State Parks needs “right mix” of funding with state support

The goal of 100 percent operational self-support is impractical. A stable and durable self-supporting state park system is unprecedented and in the Commission's view, unachievable. It would require changes to system scope, mission and park operations that the Commission believes the public would simply not accept and thus the agency could not accomplish. However, there is much value, in terms of accountability, transparency and efficient park management, in continuing the move toward a model that is substantially – though not fully – self supporting.

The agency's mission and the Commission's Centennial vision both address two different parts of State Parks' responsibility to citizens: 1. Stewardship and protection of resources, from which everyone benefits regardless of whether they use parks; 2. Parks and recreation services and programs that directly benefit those who visit and use parks.

An ideal state parks financing system would promote the maximum sustainable public use of parks, recreation, education and stewardship services at the least cost to the general taxpayer. The most practical approach is a mixed financing system. It should not be a surprise that all state parks systems throughout the country have a mix of public and private, broad-based and dedicated, and user-supported and public-supported financing elements.

The Commission is committed to making the Discover Pass fee program as successful as possible. However, the Commission concludes that the new fee structure will not, on its own, sustain the park system over the long-term and that a **combination** of user fees, ongoing General Fund support and new practices and revenue-generating activities, which will be outlined in a comprehensive agency Transformation Strategy, will ensure a healthy park system for the good of all, moving forward. This report will explain the reasons behind the Commission's conclusion.

The "Transformation Strategy" that State Parks is in the midst of defining and implementing, will consist of an assortment of business practices and needed changes in agency culture. Activities outlined in the Transformation Strategy include explorations of new revenue sources, enhancement of technology, greater leveraging of partnerships and the potential for sponsorships – all of which are intended to build financial stability, increase public participation and support, ensure services remain relevant and high-quality and build capacity to care for the legacy of natural, cultural and historical resources in the Commission's charge.

This report will outline steps the agency has already taken in that regard and the steps that lie ahead. It may very well be that some steps may be found undesirable by the Legislature and public. They may be a "bridge too far." With that possibility in mind, this report also will outline options for public taxpayer support that the Legislature may choose for the short or long term.

A note about capital facilities funding:

The legislative direction to explore financial self-support does not include capital expenditures. Because of the inter-related nature of capital replacement costs and facility maintenance, State Parks must assume that full programmatic self-support is not an objective and that the assumed goal applies only to operations. This assumption is quite significant from both an operating and capital perspective. The choices the agency makes in capital investment can have profound effects on operating costs and revenues. Additionally, lack of adequate operating investment in normal maintenance and repair can cause minor low-cost maintenance problems that, without treatment, become expensive capital costs later.

Historically, the legislature and agency have explored the use of Certificates of Participation (COPs) to allow State Parks to “self-finance” capital improvements by pledging a stream of operational revenues for that purpose. The new goal of maximizing the self-support of the operating budget makes such a strategy much less attractive.

The Commission also is aware of its responsibility to provide for the future, through appropriate land acquisition, to address the needs of a state that continues to grow in population.

Sharp general fund declines since 2007 create greater uncertainty

State Parks has gone through a radical change in its financing base just in the last five years. For decades, General Fund revenues comprised the largest percentage of agency operating funds, at 60 to 80 percent. Even with fluctuations in General Fund, it is important to note that these allocations come to the agency as “real money.”

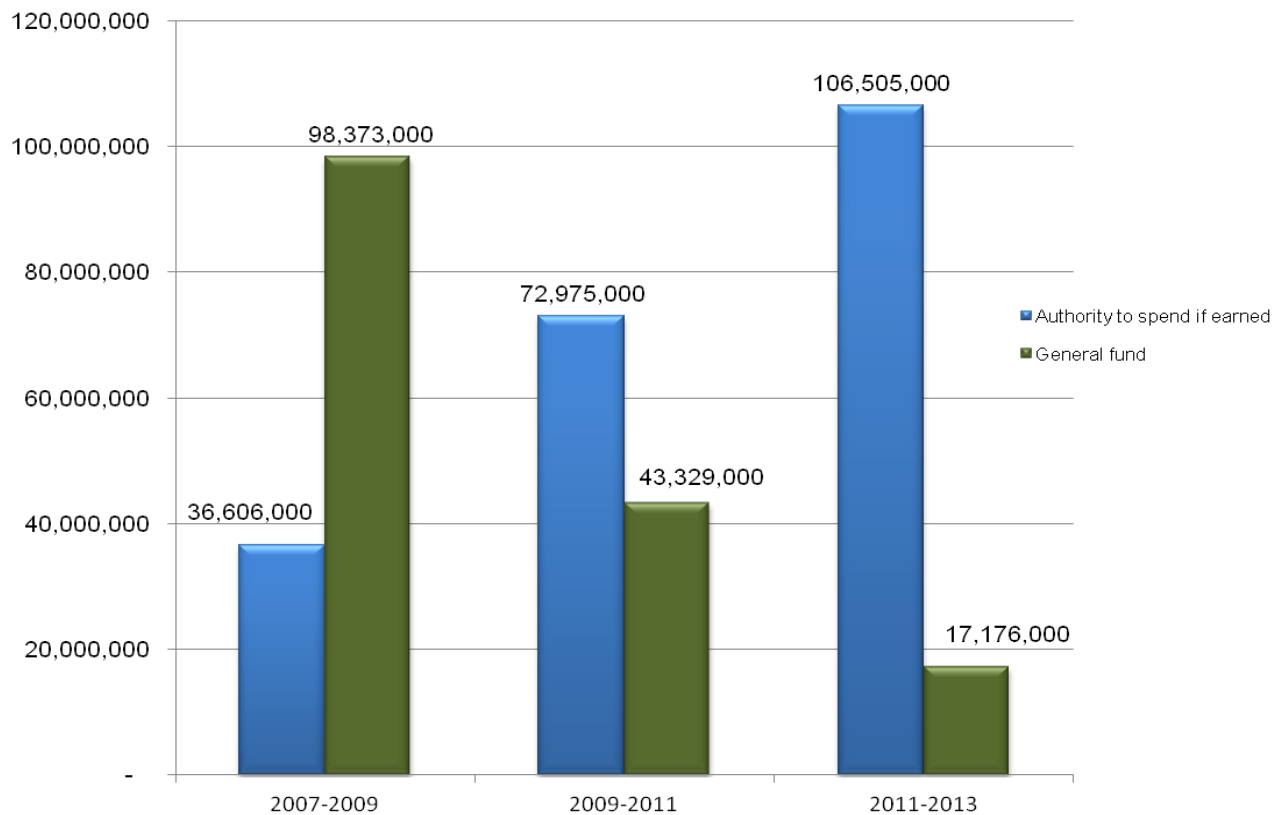
In 2007-09, State Parks received about two-thirds of its \$135 million total budget (not including federal, grant and dedicated funds) from General Fund dollars, and only about one-quarter in projected revenues from fees for services such as camping, watercraft launching, moorage and non-recreational leases and concession income. About 10 percent of the State Parks budget remains federal and grant dollars for dedicated programs.

In 2009-11, with the recession in full swing and state tax revenues on the slide, the agency’s General Fund allocation was reduced to 30 percent of total revenues, and the expectation on fee revenues was raised to 40 percent. The Legislature changed a previously existing “opt-in” donation program tied to state vehicle licensing registration so that it would be an automatic \$5 “opt-out” program, as a “call to action” to the public to assist State Parks in generating more revenue. One-time Non-motorized Off-road Vehicle Account (NOVA) moneys and recreational boating facility capital funds were transferred to State Parks to mitigate part of that shift in funding. Still, the biennial budget was reduced by more than \$10 million.

In 2011-13, State Parks’ General Fund allocation plummeted to 12 percent of total budget. The new Discover Pass was adopted, and the donation program was left in place to help replace general tax dollars for State Parks operations. Another approximately \$10 million in real reductions to the budget have been necessary to assure balance between revenues and costs.

The following graphic emphasizes the budget shift at the heart of State Parks’ uncertain financial situation. In particular, the graph highlights the dramatic decline in General Fund “real dollars in the bank” and the corresponding dramatic increase in expectations to raise revenues from fees and donations – expressed as “spending authority” (dollars as yet unearned, rather than real dollars in the bank.)

General fund decrease, 2007 to present



The amounts shown in this bar chart do not include federal or grant pass-through funds or one-time funding.

DISCOVER PASS AND THE OPERATING ENVIRONMENT

New access pass shifts Parks operation toward fee-for-service

The Discover Pass is a vehicle access pass that provides access to more than 100 state parks and millions of acres of state-managed recreation lands. The pass costs \$30 annual or \$10 daily (transaction fees may apply). The Discover Pass originally was projected to raise \$64 million in revenues during the 2011-13 biennium – with 84 percent (\$54 million) going to State Parks and 8 percent each to DFW and DNR to operate the recreation lands under their management. The law creating the pass was enacted in May 2011, and the three agencies worked fast to implement the program and all its components – signage, informational websites, accounting and computer infrastructure, printing, rules and procedures – within five weeks of bill signing.

On July 1, 2011, a sunny Friday in Washington, the Discover Pass was launched. Parks were open and ready for visitors. On that same day, e-mails from other states were communicating their own park system struggles and threats of closure. The Washington team – State Parks, DFW, DNR, the Legislature and the Governor – had worked together on a hopeful solution.

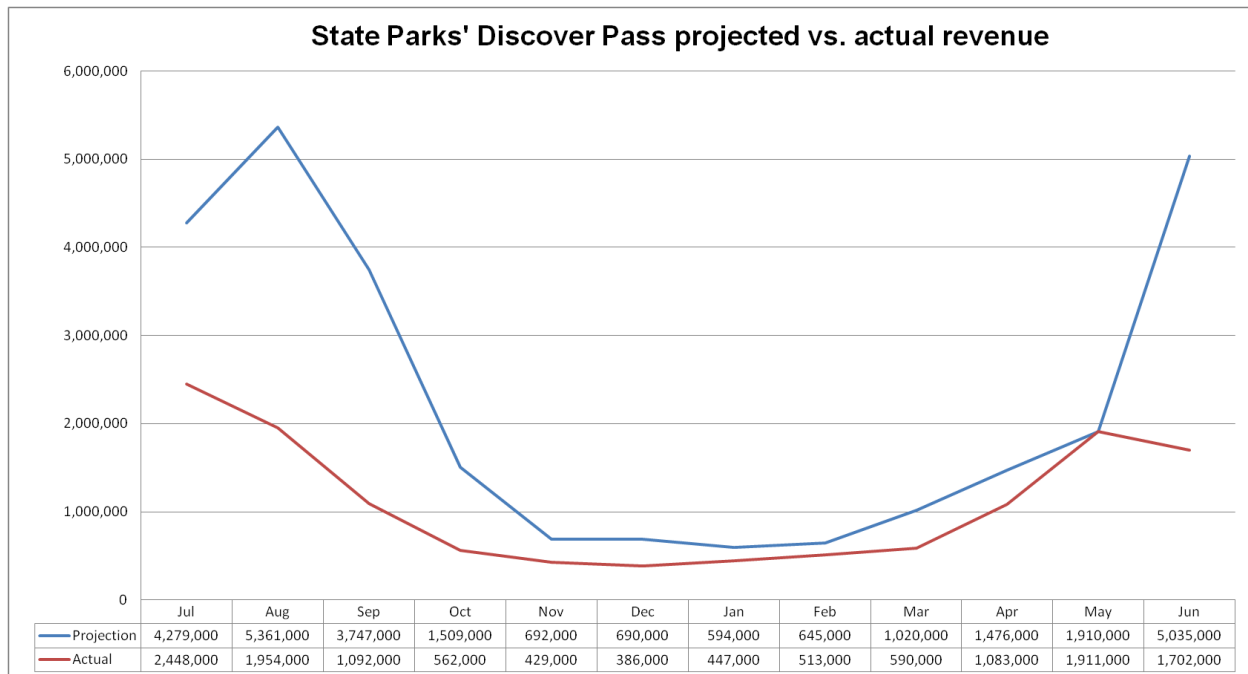
Because of the short timeframe for the launch and little time to educate the public, people showed up in parks in early weeks knowing little or nothing about the new pass requirement, and rangers, park aides and volunteers were dealing with crowds lining up to ask questions and buy their passes. DFW's Washington Interactive Licensing Division (WILD) system, already operating for a decade, was the first best option to get the pass into the hands of recreation users. Customer service people were straining to deal with demand.

It was a tough and demanding summer as the three agencies continued to coordinate logistics, public information and media outreach to educate people about the pass. Parks staff everywhere stepped up efforts to sell the pass in parks, despite their lower numbers due to earlier staffing reductions.

With no real sales trends to go on, the fall of 2011 was tense for the agencies monitoring pass sales – but especially so for State Parks, because of its heavy reliance on the new revenue for basic operations. But revenues continued to be short of projections. By November, it was clear that the agency could not make up for the shortage in revenue from the previous five months and would need to move swiftly to recalibrate its budget, re-project and make reductions in order to balance its budget and keep operating in the black.

The first projections were made with no sales trend information to go on. June 2012 revenues took a dip after six months of meeting close to targeted revenues, illustrating the month-to-month variability of Discover Pass sales that underscores the reality of uncertainty in State Parks' budget. For the next several years, revenue forecasts for agency earned income will lack certainty, because of continuously evolving variables that can affect outcomes. If revenues continue coming in under target, it will mean additional reductions in the near term.

The graph below compares State Parks' Discover Pass projections and actual earnings. The gap between projected and earned revenues through November 2011 has been addressed through the 2012 restructuring and reductions outlined later in this report.



A note about 2013-15 revenue projections

In order to project Discover Pass revenues for the 2013-15 budget request, State Parks borrowed the approach used by the State Revenue Forecast Council, and created three outlooks – a conservative outlook, a middle-of-the-road and an optimistic projection. State Parks then chose to use the “middle-of-the-road forecast projecting \$12.8 million revenue increase over the current biennium, as outlined in the chart below.

State Parks' Revenue Projections – All Types				
Revenue Type	2011-13	2013-15	Change	Percent Change
Discover Pass	33,200,000	42,900,000	9,700,000	22.6%
Donations	15,500,000	16,000,000	500,000	3.1%
Infractions	600,000	1,200,000	600,000	50.0%
PRSA	43,000,000	45,000,000	2,000,000	4.4%
TOTAL	\$92,300,000	\$105,100,000	\$12,800,000	12.2%

The projected increase of Discover Pass revenues next biennium is predicated on anticipated positive effects from new flexibility for pass holders through legislated transferability of the pass, as well as new marketing and continued education and enforcement efforts. Because there is only one year of data available as a guide, this projection is risky and therefore, staff chose not to use the optimistic projection outlined in the original fiscal note attached to the “transferability” legislation. So revenues could be higher than projected, or they could be lower; if lower, the park system could experience additional major reductions.

State Parks takes quick action in 2012 to keep parks open in face of shortfall

Because State Parks spends about 85 percent of its operating dollars directly on the ground to operate parks, significant budget reductions in the past have led to the possibility of park closure. But the new day pass requirement changes this dynamic. Recreation users now must pay out of pocket to access parks, and State Parks depends on these out-of-pocket fee revenues to keep operating. The Commission fully understood the new dynamic as it began to grapple with the realities of balancing its budget. Closing gates would undermine both access and the pass sales that ensure access. Closing parks potentially would start a cascade of events: Closed parks, loss of trust by the public, loss of support, fewer paying customers, even less money to operate, more parks closed. The Commission also understood that success of the Discover Pass program relies on the public purchasing access to a *system* of parks.

Given this new dynamic and lessons learned from previous reductions, there seemed only one choice for the Commission as 2012 approached: keep parks open by restructuring, reorganizing and shifting to a more seasonal staffing model.

It would be a drastic approach for State Parks but one that would be in alignment with the new fee-for-service approach, assuring staff on site when the public (customers) show up in the greatest numbers. The plan would be to do what was necessary to balance the budget and keep parks open, while working to build revenue through the Discover Pass and continuing to explore new ways to earn revenue and support.

To mitigate reductions as a result of a \$10 million-plus shortfall from Discover Pass, the Commission authorized spending of \$4.5 million of agency reserve funds. This reduced agency reserve to the minimum of two months' operating cash as required by OFM and the State Treasurer. This lower reserve was uncomfortable, given the uncertainty of a budget so heavily reliant upon revenues not yet earned – but it was imperative in order to retain enough staff to keep parks open. State Parks moved quickly to make approximately \$6.5 million in reductions. Delay was not an option; to delay would widen the gap between cost and revenue by an average of \$750,000 a month, resulting in deeper cuts, more layoffs and possible park closures later.

To grasp the difficulty of the 2012 reduction, it's important to understand that State Parks already had made significant reductions during the previous two years. Reductions made in 2009 included savings by transferring parks to local and other governments willing and able to keep them open (Wenberg, Osoyoos, Fort Okanogan, Fort Ward and Fay Bainbridge state parks.) The agency eliminated one region operating unit, going from four to three regions. The order of further reductions was done in a priority that cut headquarters first, then regions and finally the

field – with the result that 20 percent of headquarters, 20 percent of region and about 6 percent of field staff were reduced in 2009 and 2010.

A main principle behind the 2012 cuts was to restructure field management and shift to a more seasonal staffing model in parks, with the goal of keeping as close to 2011 staffing levels as possible. This would provide a better chance of meeting visitor demand during the high season but would mean less staffing – and less maintenance – in the quieter season. Here are the specific 2012 reductions on the operations side of the agency:

- Eliminated 7 management positions, including removal of a management layer in regions – and replaced with 6 less expensive positions closer to the ground.
- Reduced 66 of 189 filled full-time permanent year-round ranger positions to seasonal (five- to eight-month positions)
- Eliminated 16 of 76 filled full-time permanent year-round construction-and-maintenance positions.
- Eliminated 24 filled full-time permanent staff positions at headquarters and region offices.
- Increased the number of non-permanent positions to help out in the parks.
- Reorganized and reassigned many remaining central staff to build capacity for revenue generation.
- Consolidated maintenance and construction management in parks.
- Additional losses in capital program staff.

As the result of reductions made between 2009 and the present, the agency has decreased the number of full-time positions from 595 at the outset of 2009, to 395 currently and increased the number of part-time and seasonal to about 90 positions.

Such drastic changes carry obvious and immediate risk. Many staff with deep institutional knowledge are no longer with the agency, leaving holes in agency capacity and remaining or reduced-time staff with new jobs to learn and heavier workloads. In the field, some career rangers could not survive financially on the new seasonal salaries; 22 park rangers and six construction and maintenance specialists have left State Parks service, taking with them knowledge of parks, infrastructure, resources and law enforcement.

A significant aspect of the reduction in the field is the loss of capacity to perform maintenance, particularly in the winter months. Maintenance deferred usually results in higher costs from the operations budget later – or worse, over time can necessitate an expensive capital fix later. In 1999, State Parks identified a \$40 million list of deferred maintenance, some of which has been addressed – but the list of new needs continues to grow. State Parks knows it needs a handle on these needs moving forward and needs support to get the data in hand. Many of the parks and facilities were built decades ago and are now antiquated, expensive and difficult to maintain. In

need are water and sewer systems, regular and utility campground upgrades, historic structures, old-fashioned vault toilets and outmoded restrooms. There are hundreds of examples, and they are everywhere in the park system. The recent operations reductions exacerbate these problems.

For all the reasons noted above, the operating status of State Parks in 2012 is not sustainable.

A note about the 2012 Supplemental Budget: ALEA Funds

It needs to be noted here that staff reductions also have been made on the capital side, negatively affecting the agency's capacity to make necessary improvements and upgrades to infrastructure and facilities that are essential to the quality of the visitor experience. This is an important dynamic, especially at a time when operating stability depends so much on the public continuing to choose state parks.

In recognition of the challenges faced by the Commission this biennium, the Legislature shifted \$4 million from the Aquatic Lands Enhancement Account (ALEA) to help State Parks get by continue its quest to become more self-supporting. In a June 18, 2012 Special meeting, the Commission approved the use of these one-time funds to help the agency fill some pressing operations gaps – including additional park aide hires to help rangers, staff to collect revenues in the parks, and staffing to help deal with increasingly more urgent forest health issues. Other uses of these funds would be emergency equipment replacement, energy improvement upgrades, data gathering, and deferred and preventative facilities maintenance, as well as some small Centennial 2013 improvement funds to be used in specific parks.

A commitment to success: Agencies improve and refine Discover Pass

In the early months of the Discover Pass, the sister agencies and Legislature heard many comments from people expressing that they support the Discover Pass but wanted more flexibility in using the pass on different vehicles. The agencies and Legislature listened, and a new law this year allows Discover Pass holders to use their pass on either of two cars. An autumn 2011 public survey indicated that this significant change in the program to provide this new flexibility to the public would result in greater participation and increased revenues.

Another source of optimism with the Discover Pass is the increasing numbers of sales through the Department of Licensing vehicle registration process. The Legislature initially included the Department of Licensing platform as the principle sales mechanism for the Discover Pass, and DOL was able to get the platform up and running for October 2011 renewals. Vehicle owners can buy Discover Pass when they renew their license tabs, either online or at a licensing counter. Sales through this platform have been increasing steadily every month, from \$171,810 in October, to \$539,640 in June 2012. This bodes well for the Discover Pass because it indicates

that more vehicle owners are likely to develop the yearly habit of renewing their license and their Discover Pass at the same time. Department of Licensing partners have been responsive and supportive in providing this public service convenience.

Other improvements and activities that likely will help sales include:

- Expanded State Parks online and multi-media marketing efforts now under way
- Improvements in Discover Pass delivery, including addition of automated ticket dispensers (currently a pilot program) in select state parks
- Increased enforcement efforts by the three agencies to ensure compliance.
- Promotion of the Discover Pass as a gift option
- Work scheduled for 2013 to create a fully transferrable Family Pass
- Work with events and partner and friends groups selling and promoting the Discover Pass
- A Discover Pass business plan created by the three agencies

A note about the Donations program

In the 2011-13 budget, the level of donations from the public through the \$5 donation tied to Department of Licensing vehicle registration (also known as “opt-out” donation program) was expected to fall to \$10 million for the biennium because of the new Discover Pass requirement. However, in the first year of the biennium, the program yielded \$8 million. If that trend were to continue, it could lead to \$16 million for the current biennium. The unexpected higher donation levels have helped State Parks address current challenges. It is, of course, unknown whether the present donation trend will continue.

Discover Pass marketing effort focuses on the value and benefits of parks

In the past few months, State Parks has embarked on an exciting new marketing effort geared toward selling the value of state parks and increasing Discover Pass sales. With a new marketing coordinator in place and a contract for services with a professional marketing public relations firm, in May, State Parks launched a new storytelling blog site, www.AdventureAwaits.com,

The site invites readers to share stories, pictures, videos and excitement about the state park system. www.AdventureAwaits.com provides trip-planning ideas, tells about parks and recreation options people may not know about and links to the State Parks website for more detailed information about park sites, events, interpretive centers and historic areas, as well as reservations and online purchasing of the Discover Pass.

Starting in fall of 2012, the marketing effort also will include on-line, radio and other advertising media to encourage the use and enjoyment of parks and to increase Discover Pass sales. The

Commission has expressed excitement about the agency's new marketing efforts and expects they will produce results.

Currently, the agency is working with a well-known Seattle car dealership on a Discover Pass promotion that markets directly to dealership customers as well as through radio and TV advertising. Additional outreach promotional efforts are in the works, as we pursue discussions with Washington companies and organizations who want to align with State Parks for mutual benefit.

Marketing of this magnitude is new to State Parks, and the challenge will be both in identifying the funds to keep it up, and in demonstrating its bottom-line success. Marketing through traditional media is expensive, so primary efforts have been centered on economical approaches that build on social media and connect when possible to more traditional marketing tactics and promotions with partners. Because the Commission understands the agency has to spend money to make money through marketing, some of the ALEA funds provided during the 2012 supplemental budget will be used for this purpose.

The focus of all marketing efforts is in selling the value of state parks – both to those who already know and use the parks and to those who may be enticed to try something fun and different. State parks have something for everyone.

Washington's state parks provide public access to our state's extraordinary natural, cultural and historical resources, but the other benefits often expressed by visitors are compelling and important to note.

Park visitors cite personal health, a sense of well-being and education and enrichment among the top benefits they experience. Parks are places where families connect, where individuals gain respite from a stressful world, where people pursue health and find spiritual connection.

State parks are an important aspect of the Washington culture and lifestyle. State parks are everywhere in people's family photo albums. They are settings for reunions, birthday parties and family fishing trips. People choose state parks as the place to get married, to hold Quinceañeras, Bar Mitzvahs, retirement parties, and all kinds of other important life events.

State parks also benefit those who don't use parks. Individual donors express the notion of parks for the public good when they send contributions, and members of local communities talk about parks being essential to their local economies.

A 2002 Dean Runyan study of State Parks' economic impacts on the state indicated that visits to Washington state parks yielded a total annual direct contribution of \$1.1 billion and directly generated \$34 million in state tax receipts. Though the report is now ten years old, it is still

considered a relevant expression of parks' economic benefits to the state. It stated that in 2000, every overnight visitor to a state park spent an average of \$29.80 a day, and each day visitor spent \$15.70 a day for dining out and food purchases, recreation and transportation in the community near the park. Those figures are no doubt greater now. State Parks has plans to update the report in the near future.

The Washington state park system includes more than 100 developed parks, several interpretive centers, trails, historic areas and statewide programs such as boating safety and winter recreation. It's a broad mission.

With the Discover Pass in place, State Parks has had to educate the public that their taxes no longer are sufficient to provide access and services and that the system currently depends on support from user fees to continue. Ensuring public support means educating about the value of parks to people and the many opportunities available to enjoy, including:

- **Parks in every eco-region:** Washington is one of the most ecologically diverse states in the nation, with nine eco-regions and state parks in each one.
- **Evidence of the Ice Age:** You can see evidence of epic Ice Age floods that carved our state's landscapes 15 million years ago, at Sun Lakes-Dry Falls, Gingko Petrified Forest, Potholes, Steamboat Rock, Palouse Falls, Yakima Sportsman and more.
- **Learn state history in state parks:** State parks are locations where important history took place. Lewis and Clark, marine history and a look back at history of the world wars all are available in state parks. Washington State Parks has 17 historic areas and more than 700 historic buildings in its charge.
- **Our state parks are well-known** among national and international recreationists. Climbers love Peshastin Pinnacles; wind surfers journey to Maryhill and Spring Creek; equestrians trailer up to visit the John Wayne Pioneer Trail. Boaters of all kinds enjoy touring the San Juan Islands, and kayakers and canoeists enjoy exploring the Cascadia Marine Trail and Columbia River water trails.

New access pass dynamic: Discover Pass efforts must engage day users

The Discover Pass creates a substantial paradigm shift for State Parks as purveyor of services. For decades, the only park users charged park fees were those paying for camping and other overnight stays and boat moorage. Of the estimated average 40 million visits a year, overnight visitors generally make up only about 8 percent of total visitation – while roughly 92 percent of visits – daytime visits – generated little direct revenue toward the operation of the park system. The Discover Pass changes this dramatically; now most visitors must pay out of pocket to enjoy services within state parks.

How does this change the picture for State Parks? It means that, in addition to keeping parks open, it is imperative that the Commission keep parks maintained and cared for to a standard that

inspires people to visit. Enhancing the day visitor experience means everything in a funding environment depending on user-fees associated with day visits. In order for State Parks to be successful, people must continue to choose parks. The paradox is that, in a time of restricted funds, State Parks must now, more than ever, focus on providing quality and offering new visitor experiences.

Toward that effort, State Parks is doing its best to leverage grant and operational funding to bring the vibrancy of Washington's diverse cultural heritage into state parks. For the past few years – but especially with the advent of the Discover Pass, the Commission, with the help of the State Parks Foundation, is taking initiative and using creativity to turn parks into venues for cultural celebration and entertainment. The American Roots Music Series at Deception Pass, Kenmore Concert Series at St. Edward, Waikiki Beach Concert Series at Cape Disappointment, Centrum Arts at Fort Worden, and the Peace Arch International Concert Series, are just a few of the many cultural opportunities being provided in state parks.

State Parks works to understand the larger market

The core questions that the Legislature has asked State Parks to consider are whether the agency can operate in a financially self-supporting manner, independent of the General Fund, and if so, how it would do so. To answer these questions, it is vital to understand State Parks' "market niche." If State Parks must operate like a public enterprise, who and what are its market competitors? How are they able to operate and "compete" for people's attention and for revenues? What does that say about the feasibility of a successful model of self-support?

First, a brief description of State Parks' services is necessary. The agency offers general public access to outdoor recreation as its principal service. Day visits comprise 92 percent of visits, with the remainder of visitors using overnight accommodations - principally standard and utility campsites, vacation houses and cabins and yurts with access to potable water and comfort stations (flush toilets). State Parks offers a setting for these activities within sites of statewide and regionally significant natural, cultural and scenic resources.

Market competitors

Federal Government

The principal providers of services similar to Washington State Parks are the National Parks Service (NPS), Bureau of Land Management (BLM) and United States Forest Service (USFS). The United States Fish and Wildlife Service, Bureau of Reclamation and U.S. Army Corps of Engineers also have public recreation lands. These agencies offer access to day-use facilities and resources on significantly larger land bases than state parks, and the resources in general are of

higher caliber. They also tend to be farther from urban areas with some exceptions. Camping is more rustic than in state parks, while lodgings tend to be more grand and comfortable.

The vast majority (more than 90 percent) of the \$3 billion-plus in operating funds for NPS comes from appropriated funds. Approximately \$190 million is from earned income. Where there are park entry fees, parks retain 80 percent of their earnings, and the remaining 20 percent is shared among units without entry fees. The USFS has a \$30 annual Northwest Forest Pass for access to sites in Washington and Oregon. BLM and other land management agencies participate in the National Parks and Federal Recreational Lands Pass program, which charges citizen access fees of \$80 a year (\$10 lifetime for those 62 and older.)

Other States

Each state has a unique approach to defining its state park system, with varied organizational configurations (e.g., whether it includes fish and wildlife areas, off-road vehicle sites, backcountry recreation, etc.), and different system sizes. Most, but not all, states are experiencing budget strains on their park systems. Following are some examples:

- **Idaho State Parks:** With approximately 26 parks and two million visits a year, in comparison to Washington's 117 parks and 40 million visits, Idaho has a much smaller system. The state recently amended its annual passport program to charge \$10 per vehicle day access for state residents (\$40 for out-of-state residents) to all Idaho state parks. The passport provides a \$5-a-night reduction in camping fees. Idaho's General Fund contribution is \$1.4 million, down 80 percent from previous years.
- **Oregon State Parks:** The Oregon system provides a broader range of services, including the state fair and some highway rest areas. Oregon's overall budget is more than \$200 million a biennium, of which \$80 million comes from dedicated lottery funds. Oregon also requires a \$30 annual day use access pass, but not all parks require the pass.
- **California State Parks:** The largest state parks system in the country recently considered closing 70 parks, a situation averted by developing donation agreements to subsidize operations. Though recent news reported a finding of \$50 million-plus in hidden reserves, the point here is to describe the structure. Following budget cuts, the agency now receives 29 percent of its operating budget from General Fund, a 37 percent reduction from five years ago. California has an active foundation and a universal day-use access fee program that costs more than \$100 a year per visitor for universal access.
- **Michigan State Parks:** Similar in size and budget to Washington's state park system, Michigan has received zero General Fund support for more than 15 years. Its \$10 a vehicle "opt-in passport program has about 27 percent participation, and the agency budget has longtime stability. The Michigan model has been discussed as an option for Washington. But there's more to the story. A 1994 constitutional amendment directed a portion of the state's oil, gas and mineral revenues from extraction on state lands to support Michigan State Parks. Also, Michigan has an endowment fund with more than \$150 million to support operations, expected to grow dramatically in coming years.

According to the fiscal year 2011 National Association Parks Directors Report, a majority of the states use three or more fund sources to support the operations of their park system. At least 37 states have one or more dedicated (use-specific) fund sources, 39 get some kind of general fund support, and 46 self-generate revenues. Given the hybrid version of funding sources for other states, it appears none of the states except New Hampshire report financing solely from user fees, donations and volunteers. New Hampshire's is small and has multiple ski resorts. In communications with that state's officials, they report significant problems in operational financing, with capital funding needed to address deferred maintenance.

Local Government

Many counties and some cities in Washington state provide services and facilities that are similar to those offered in state parks. Generally, the parks are smaller, and the use patterns are more intense. The vast majority of local government parks and recreation providers do not charge for day-use access, but they do charge for overnight accommodations. Snohomish County charges day-use access at select parks, and a number of parks agencies are experimenting with enhanced in-park concession services as a way to raise funds. Some individual parks have found a way toward full operational self-support. But no local government park system that provides services that approximates those provided by State Parks comes close to financial self-support.

Private Campgrounds

KOA, Inc., Thousand Trails, Inc, and many other private recreation providers serve the overnight accommodation needs of recreational vehicle and tent campers. These facilities generally are on small land holdings, with highly clustered campgrounds averaging upwards of 12 to 16 units per acre, in comparison with state park designs that on average provide three to four units per acre. The private campgrounds are able to be self-supporting financially by combining high-density accommodations with some enhanced amenities (e.g. laundry services, club houses) and significantly lower employee payrolls (lower wage, seasonal employment and no benefits). The most crucial difference between private campground providers and State Parks is that the private providers have fewer obligations associated with managing natural and cultural resources.

All services cost money, but not all services make money

Why is it that public park and recreation service providers are not able to fully pay for services through the fee-for-service market pricing mechanism? While the answer to that question differs in the specifics for each agency, the basic principles are the same. For each principle listed below, specific examples are provided for Washington State Parks:

Social Costs and Subsidies

Under Washington State law, state parks must allow free access (a Discover Pass exemption) and free or reduced camping access for the following groups:

- Limited Income Seniors

- Disabled Veterans
- Disabled Persons (a higher threshold for non-veterans)
- Foster Parents and Families

Schools, other local, state and federal government officials, and certain tribal activities are exempt from access fees.

To assure that all Washingtonians, regardless of ability to pay, have some ability for access their public park lands at no cost, the Legislature required State Parks to provide 12 free days a year.

Stewardship Obligations

Petro-glyphs, pictographs, and other pre-historic Native American cultural resources are under the care and protection of State Parks. While fee for access to some of these facilities is possible in a controlled way, many cultural resources need protection from human use and knowledge in order to meet stewardship obligations.

State legal obligations to protect wildlife habitat, rare and endangered species and vegetation communities are consistent for both public and private lands. But there are concentrations of these resources on State Parks lands, and there are increased liabilities associated with public ownership. Forest stewardship is taking on an increasingly profound – and expensive – role, as and natural tree diseases are affecting large land areas and increasing liability throughout the system.

State law requires State Parks to manage use in the Seashore Conservation Area (ocean beaches) but prohibits charging the Discover Pass on those lands.

More than 700 structures, sites and landscapes on state parks lands are listed on either the State or National Register of Historic Places. These facilities generally cost more to maintain than contemporary structures. They are often located far from urban centers, where costs for transportation increase the cost of maintenance and reduce the market for re-use and renewal.

Inability to capture the market

Millions of people each year enjoy driving past a beautiful Peace Arch with exquisite, well-maintained gardens. But fewer than 5 per cent actually pay to park their vehicle there to extend their visit. Many parks have “drive-by” functions that leave their responsibility for maintenance intact, but with no way to charge the viewer.

Washington state parks were never designed to have single points of entry. Deception Pass, Riverside, and most other parks in the system have multiple access points, which pose challenges in enforcing access pass requirements. Most state parks have public roadways and places where parking can occur just outside their boundaries. It is not uncommon to see vehicles lined up outside park boundaries, with people walking in to avoid paying access fees.

More than 20 marine state parks are boat access-only sites. Dropping anchor and using human-powered craft to access the marine park for the day results in no access fee revenue to state parks, but there are costs to provide services in picnic areas, trails, and composting toilets.

Neighbors of state parks can walk in, or others bike in or take public transport. All of these visitors can avail themselves of state parks without paying a fee.

Governmental “Costs of Doing Business”

State Parks needs to follow all the procurement rules, which meet a set of appropriate social objectives equity concerns and ensure responsible use of public funds. Such governmental procedures come at a higher cost.

State Parks is subject to merit system rules, collective bargaining agreements, statutory restrictions on replacement of state employees with volunteers, wage and benefit standards, and other employment practices which meet statutory requirements and increase staff costs relative to those of private sector competitors.

As a public entity, decision-making processes must reflect inclusion of public sentiment with documentation, evaluation and ongoing direction provided by the Legislature and Governor. Communication with stakeholders is essential and valuable – and requires time and money.

Market competitors and the potential for State Parks to self-support

In looking at the national market for outdoor parks and recreation facilities and services, the following conclusions are drawn:

- All but four state park agencies throughout the country charge for certain services, and all but four (a different group of states) require an access fee for day use. The percentage of funds coming from fee-for-service generally ranges between one-third and two-thirds of total state park agency budgets.
- To the best of staff knowledge, there is no known example of a federal, state or Washington state local government park and recreation agency (with service obligations comparable to those of Washington State Parks) being financially self-supporting through fees for services and donations.
- Federal park and recreation programs for the most part charge fees for service, but revenues from fees represent a small portion of the recreation and conservation budgets.
- Private campgrounds and other private outdoor recreation providers do not provide the same services as state parks and are not otherwise constrained by state laws that effect program costs.

TRANSFORMATION STRATEGY

State Parks continues efforts to help itself survive financially

State Parks has received regular direction from policymakers over the years to adopt more business-oriented approaches to managing the park system, and the Commission has taken that direction seriously. The agency has consulted with recreation pricing experts; explored the possibility of private business improving facilities from which they – and the park system – could derive revenue; and researched other states’ models for partner operations that provide sustenance for park systems.

Some of these business approaches were reflected in the agency’s Centennial 2013 Plan to prepare the park system for a second 100 years. Agency work during the Centennial years reflects a business-oriented consciousness. In order to help itself financially, some of the agency’s capital program efforts were driven by operations priorities, and certain types of new construction resulted – primarily the construction of cabins and yurts; rehabilitation of historic buildings for modern uses such as vacation rentals; and the electrification of RV campsites – all intended to generate additional operating revenues for the agency.

Even though Centennial 2013 building and improvement efforts were reduced and in some cases put on hold with the advent of the economic recession, the Centennial provided some real successes for the park system. With the support of a Governor’s proclamation, the creation of a legislative advisory committee and a plan to follow, the 2007-09 operating and capital budgets were relatively robust and allowed the carrying out of many Centennial goals. An early 2010 survey of park rangers throughout the state park system indicated that through Centennial 2013 efforts, improvements had been made in every park in the system.

Creating a “Transformation Strategy” to keep State Parks proactive

State Parks’ continuing efforts to gain more solid financial footing have included explorations of new ways to raise revenue through concession agreements, land lease management, energy development and gravel extraction for sales. An example of success in these efforts is increased revenues from non-recreational leases, such as communication towers and utility lines. In 2000, the agency received \$300,000 from these sources. In 2011, as a result of a conscious effort to negotiate market rates, revenue from these sources is at \$1.1 million.

State Parks also has successfully re-examined fee structures and raised camping and other fees where possible, using market rates as a guide and understanding that too-low rates may pose unfair competition with the private sector. In 2009-11, the decrease of general fund “moneys in the bank” for operations made many of these business approaches higher priority for the agency.

State Parks continues its shift to a funding model that balances appropriate levels of general fund to cover non revenue-producing aspects of its mission with donations and other non-profit support and donations. As this shift continues, State Parks understands the importance of continuing the enterprise-type activities that can help sustain the system long term. The State Parks Transformation Strategy, to be developed by the Commission in the coming months, is largely made up of these activities.

The Transformation Strategy will provide guidance on how the agency will start its second century of service. The focus is on how the agency will continue to be relevant to the public, sustain itself financially and provide stewardship and care of the array of resources in its charge.

The strategy is based on the current reality that Washington State Parks has shifted to a financial base that, even assuming appropriate general fund support, will operate as a public enterprise, with fee-for-service the most dominant revenue source. As such, the Commission will need to keep parks open and maintained to a condition that invites the public to choose them, while the agency continues to reduce costs and increase revenues.

The approaches in the Transformation strategy will include the following elements:

- Efficiency and reorganization (partially implemented in 2012)
- Strong capacity for data-driven business decision making
- Sustainable recreation opportunities and service levels
- A purpose-driven fee structure
- Ways to increase revenue from existing activities
- Appropriate role for general tax dollars
- Partnerships, donations, and volunteer strategy
- Potential for a Washington State Parks Legacy Endowment

The public weighs in: Outreach effort informs strategy and direction

During the months of May and June 2012, State Parks reached out to the public. State Parks staff and commissioners conducted ten meetings held throughout the state with the purpose of engaging the public in this report, the 2013-15 budget request, the legislative agenda, and the Transformation Strategy. Each meeting was designed to:

- Inform the public about the “state of state parks,” providing a critical understanding of the agency’s programs, statutory and public expectations and obligations, and the financial challenges facing the agency.
- Lay out thematic alternative approaches for looking at the state parks system and how it could be financed. The three approaches were:

1. Parks as an Enterprise
 2. Parks as a Community Non-Profit
 3. Parks as a Public Asset
- The public was informed that no one approach was “the answer.” In describing them, a table was set for a stronger, more meaningful discussion of choices, values, and priorities.
 - Discuss the advantages and disadvantages of each thematic alternative.
 - Listen to public questions and opinions about future directions for state parks.
 - Talk about how people can stay involved in the planning process.

Meeting notices were sent to more than 8,000 e-mail addresses gleaned from previous State Parks public mailing lists. The documents made available at meetings also were posted on the agency website, at www.parks.wa.gov/beyond2013. The site provided mechanisms for public involvement and comment. Approximately 370 people attended the ten advertised public meetings, and approximately 150 more people provided comments or requested additional information on the web.

Working with partners: Foundation and friends support the park system

By 2009-11, State Parks had reached its Centennial 2013 goal of 400 partnerships of various kinds, including agreements with other governments, stewardship and recreation organizations, recreation groups and specific park friends groups. But the evolution of thought about sustaining the park system has driven a new discussion of how new kinds of partnerships could help and how they can be leveraged moving forward.

As State Parks entered the current biennium, there were 14 organized friends groups tied to parks around the state. Several of these – most notably Bridle Trails Foundation, Friends of Riverside State Park Foundation and Friends of Schafer and Lake Sylvia – had organized to provide ongoing financial and volunteer support locally to help keep their nearby park open.

Friends groups tend to rely on the same small pool of citizens to organize and sustain activities. For this reason, the Washington State Parks Foundation is working with State Parks to recruit new groups, assisting them in incorporating, serving as their fiscal sponsor and otherwise helping them to get up and running. The Foundation also is supporting existing friends groups, bringing them together to understand needs, provide technical assistance, facilitate exchange of experience among groups and explore ways for groups to work together in support of their individual parks and the broader state park system.

The Foundation and agency are more broadly exploring an expanded role for the Foundation in soliciting donors and sponsors to help develop the agency’s statewide interpretive network, provide other educational and recreational programs in parks and help to market parks to the

public. These activities are now essential to attracting visitors and will greatly contribute to revenues earned from the Discover Pass.

Other types of partnership focus on co-management. Staff are working with local governments to provide recreational programs and locally sponsored events in state parks and otherwise are achieving cost efficiencies through cooperative management activities. Partnerships with mission-aligned non-profits also serve to expand programs and services in parks, while providing non-profits a venue for their public service activities.

Washington State Parks has been a national leader in developing relationships and cooperating with tribal governments. One such example is a state-tribal co-management arrangement believed to be unique in the United States. Washington State Parks and the Swinomish Tribe are co-managing Kukutali Preserve, a unit of Deception Pass State Park in north Puget Sound.

Another example of a new way of leveraging partnerships is emerging at Fort Worden State Park. The local Fort Worden Lifelong Learning Center Public Development Authority (PDA) and State Parks are exploring partnership-based management models for this iconic heritage site.

Use of technology will cut costs, increase services, connect people with parks

State Parks also recognizes its need to provide quality services to the public and keep those services relevant. The proliferation of smart phones and other wireless devices means people have come to expect wireless (Wi-Fi) technology even in natural settings. Technology upgrades in parks are no longer a “nice-to-do” feature for State Parks. The agency must now compete for the discretionary time and income of its potential visitors. Making it possible for people to “stay connected” is a necessary part of the recreation market.

There is a significant cost to such a venture. State parks are often in remote areas, and the infrastructure is costly. While approximately 17 parks will receive help from a federal grant, the cost to bring modern technology to all parks could cost more than \$10 million.

For State Parks, use of technology can significantly enhance outreach, efficiently and effectively engage new and return visitors and generate revenue. New technology also offers effective new ways to provide interpretation. Examples of State Parks’ initiatives under way:

- **Mobile website:** In 2011, State Parks’ Information Technology division developed a mobile web site to provide greater access to visitor information and reservations on the agency’s Web site, www.parks.wa.gov.
- **Quick Response (QR) codes:** State Parks is developing interpretive and other engaging content that will be available to people via Smart phones and QR codes that can easily be posted at various outdoor settings.

- **Mobile Applications (App) development:** State Parks is contracting with a national company to provide a robust, free mobile app to enhance the visitor experience by providing park and trail maps, park information and more on mobile devices. Access to greater information is intended to draw visitors to the parks.

Options for revenue enhancement and cost containment

The following elements will be explored as the agency creates its Transformation Strategy. They are not currently included in agency request legislation, nor in the 2013-15 budget.

- **Create a state parks endowment fund.** An endowment is a financial corpus which provides a continuous revenue stream over time. If created similarly to Michigan's state parks trust, the state constitution would need to be amended so that the financial corpus would be independent of the Legislature. Then some source of ongoing contributions would be necessary to fund the corpus. Alternatively, the concept of an endowment is already in statute and assigned to the State Parks Foundation to create and steward. Jump-starting in some way this endowment could go a long way toward establishing its long-term funding legitimacy. No matter how established and endowed, it would be a mechanism for assuring funding for those parts of the state parks mission that are not best met through a fee-for-service approach.
- **Use some lands to generate revenues:** Redirect use of a specific portion of the state parks land holdings for the purpose of generating maximum revenues. While about 95 percent of the Department of Natural Resources' land holdings are trust lands with a fiduciary purpose of funding selected beneficiaries, none of State Parks' lands are so purposed. Redirecting 5 to 10 percent of State Parks lands to long-term, income-generating real estate could offset some agency non-market costs. However, we note that the sale of State Parks lands to cover short-term operating costs is bad public policy; it converts a permanent public asset to a one-time use with little or no return.
- **Increase recreation-supportive commerce** on selected park lands, such as lodging, restaurants, and other hospitality functions, to generate revenues in excess of their cost for service.
- **Assure market-rate pricing to non-recreational uses** of parks, for such things as public and private utility services.
- **Institute creative demand-sensitive pricing** for camping and other services. For example, camping on a July weekend would cost more than a June weekend, and in turn certain popular sites would cost more still.
- **Expand marketing** to attract new and repeat visits and stimulate Discover Pass sales.
- **Expand programming to attract visitors** and enhance their experience. This includes reinvigorating interpretive programs lost to cuts, expanding educational and youth opportunities.
- **Empower the State Parks Foundation** to become a major source of financial and programmatic support, through legislative changes and administrative support.
- **Engage in partnerships** with other governments, private non-profits and for-profit organizations to improve parks and provide programs that stimulate sales of the Discover Pass.
- **Expand use of volunteers,** friends groups and others to provide distinctive, high-quality programs and services that enhance the visitor experience and attract visitors.

- **Work with the State Parks Foundation** to develop a unified approach to soliciting, thanking, recognizing and cultivating ongoing relationships with individuals and organizations that donate time, money, material or property in support of State Parks.
- **Empower and support expanded State Parks Foundation efforts** to solicit help, recognize contributions and cultivate relationships with corporate and private business donors and sponsors.
- **Expand efforts to secure grants** that enhance the park experience and protect critical natural and cultural resources.
- **Continue to develop the \$5 vehicle license tab donation program** and explore ways to more fully engage those donors in support of state parks.

Finding the right mix to create financial stability

While the Commission supports the incorporation of more entrepreneurial enterprise functions, it *does not support elimination of general fund support in the long term or as a permanent solution to the current economy*. State parks were established and supported as a public amenity with the public as share holders and the Commission accountable to them.

Each state parks financing system has evolved to meet each state's stewardship ethic, recreational priorities, type and extent of natural and cultural resources and level of public support. Washington State Parks has already moved dramatically in the direction of user-support in the last five years, and it can and should consolidate that direction and extend it. Securing a more diverse mix of revenue from patrons and donors while sustaining varying levels of funding from general taxes assures the public continues to have a stake and a voice in the system's future.

The Commission proposes this basic structure for developing an optimum parks operating financial model:

1. Public Financing (general tax dollars)
 - Essential responsibilities and legal and statutory obligations not connected to public visitation or use (No one pays for natural and cultural resource stewardship)
 - Intergovernmental responsibilities and costs (Consultation and communication with federal, tribal, state and local governments and public communications)
 - Legislative fee waivers (camping and Discover Pass exemptions for disabled veterans, limited-income seniors, etc.)
2. User Financing (user fees for service and recreational use taxes.)
 - Dedicated funds for programs such as Sno-Park fees for snowmobiles or cross-country groomed trails
 - Dedicated Funds for Programs: Such as Sno-Park fees for snowmobiles or cross-country groomed trails.
 - Undedicated Funds: Basic access to recreational lands (e.g., Discover Pass)
 - Fee for use, such as camping and moorage
3. Charitable Financing and Partnerships (includes Foundation contributions, Friends Groups, donations, and grants)

- Extraordinary or superlative opportunities for the public (e.g., arts in the parks, commemorative events and facilities)
- Meets both State Parks and partner-funded objectives. (e.g., ecological restoration grants, interpretive amphitheater improvements)

Because the Discover Pass is still new and because so much dramatic change has occurred in a short time, it is inadvisable now to stake out precise expectations for financing from the wide array of choices that are available. The financing model described above can result in a park system that reflects public service expectations and meets user needs efficiently and effectively.

But it will take time, attention and adjustments to get there. Progress the agency is making to transform its operations is a long-term challenge, and it will demand ongoing attention and support. For this reason, State Parks recommends continued monitoring and review by the Legislature in the coming years.

Current reality: The funding gap

During the past two biennia, State Parks has had to make approximately \$21 million in real (non-inflation adjusted) cuts. **With 2011-13 General Fund contributions of approximately \$17 million and \$4 million more in one-time ALEA funding, and with expectations it receive zero 2013-15 General Fund contributions, State Parks is facing an approximate \$42 million reduction from 2007-09 budget levels.**

The 2007-09 agency operating budget is now viewed as a high-water mark for agency funding, even though at the time, State Parks officials were aware of significant unmet statutory obligations and public expectations. There is no current consensus about whether the 2007-09 State Parks budget was adequate or insufficient. As the agency transforms its operating model, certain programs from that time are no longer high priority in this time of very limited funds, while other services that are now seen as essential were not provided then.

Though establishing service level standards is very difficult given current capacity and lack of strong data, the Commission understands how essential it is to do so; the public deserves assurance of value for its money.

What lawmakers can do: Legislation to consider

The 2012 Proviso directs the agency to outline any additional statutory changes needed to meet the goal of becoming self-supporting. The agency has more work to do to gain a thorough understanding of finances necessary to meet agency long-term mission, vision and statutory obligations of the state park system. The agency may later suggest proposals in addition to the six initial proposals outlined here:

1. Through the budgeting process, require that State Parks receive General Fund appropriations that cover costs of mandatory exemptions to fee programs. Calculation of the amount will be under the responsibility of appropriate legislative budget committees, upon consultation with the Office of Financial Management and State Parks.
2. Expand the authority of State Parks to enter into property leases for a period of up to 99 years, increasing the duration from current 50-year maximum to stimulate appropriate private investment.
3. Broaden the authority of the Commission, beyond restrictions in RCW 79A.05.345, to permit advertising on State Parks land and to recognize sponsors for their support, and remove prohibition on use of proceeds to increase staffing.
4. Ensure the authority of the State Parks Foundation to raise funds for State Parks purposes, including basic operations. Clarify and strengthen the role of the Foundation as the lead entity in soliciting contributions and cultivating relationships with individual and organizational donors and private business sponsors.
5. Require a report, on a biennial basis, from the Commission to the Legislature, identifying specific steps the agency is taking to increase revenues, reduce expenditures, engage volunteers and partners, and generally transform itself toward a more sustainable, and healthy, financing and programmatic future.
6. Direct the Joint Legislative Audit Review Committee (JLARC) to complete a study of the economic and fiscal impacts of state parks on local, regional and statewide economies.

The State Parks 2013-15 budget request

It is unrealistic to assume that the agency can reach long-term budget adequacy immediately. The Transformation Strategy to be developed in the coming months is intended to create a pathway to become more self-supporting. The Commission's 2013-15 budget request assumes a sustainable – *not optimum* – service level in all state parks for the biennium. The agency currently lacks the data as well as the tools, resources and technology to connect parks in remote areas to automate any collection of data that would help produce a detailed analysis of need. In the past, consultants were hired for hundreds of thousands of dollars to inventory agency needs. Needs were listed in a snapshot of time, rather than in an updatable database. Without tightly defined cost and revenue allocation systems, it is difficult to develop information about the costs to adequately fund park system needs.

State Parks has begun to develop a maintenance management program and is currently evaluating a new operating model; the agency will request additional staff in the 2013-15 biennium to assist with data management and analysis with the goal of developing an ongoing process and system that will better prepare the agency for future budget requests. During the next two years, the agency will work to derive a baseline figure that identifies the level of funding required in 2015-17 and beyond, to keep all parks open and maintained at a quality level. This analysis work will be included in the Transformation Strategy currently in development. A

Commission report to the Office of Financial Management, to be submitted by August 31, 2014, will include rationale and assumptions.

For 2013-15, State Parks will propose a \$123 million budget, not counting federal, grant and dedicated funds. This level is intended to help sustain the system and ensure the public continues to choose state parks. It includes:

\$12.8 million in new revenues

- With greater public awareness and acceptance of the Discover Pass in its second year of operation, along with the popular decision by the Legislature to add a second vehicle to each pass, the agency projects \$9.7 million more from the program than currently.
- Increases in camping and other fees are projected to bring in \$2 million more
- Discover Pass citation fines are projected to bring in \$600,000 in additional funds.
- The donation program, with expansion of the number of vehicles subject to this option, is projected to yield an additional \$500,000.

\$18 million in General Fund Request

- It is difficult to calculate all the non-market costs of services provided by State Parks. In general, the basis for the request includes:
- Social costs and subsidies: Approximately \$8.2 million is involved in opportunity costs associated with exemptions to Discover Pass and camping, as provided in legislation. The 12 required free days cost an estimated \$200,000.
- Stewardship Obligations: The various elements constitute no less than \$5 million in opportunity and other costs.
- Inability to capture the market: The various elements constitute no less than \$5 million in opportunity and other costs.

In summary: Our duty

As the Washington State Parks prepares to celebrate 100 years as a state park system, the Commission is wholly committed to finding the best path forward to ensure a healthy second century of parks in Washington. That means more than keeping gates open.

To be healthy moving forward, the Commission defines success as providing excellent care of natural, cultural and historical resources, providing high-quality visitor services, replenishing spirits and providing hope, inspiration and respite for citizens. The Commission is committed to maintaining State Parks' rightful place as caretaker and guardian of the state's heritage and a steward of its legacy. State parks are the heart and soul of our state.

It will take relentless effort and support from all quarters to ensure that state parks remain what they have always been – the very best of Washington.